

Message Text

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AMEMBASSY JAKARTA

C O N F I D E N T I A L SAIGON 5238

EXDIS

E.O. 11652: GDS

TAGS: ENRG, PBOR, ID, VS

SUBJECT: ENERGY-LOS: GVN-GOI OVERLAPPING CONTINENTAL SHELF CLAIMS

REF: JAKARTA 4655

1. ACCORDING TO TRAN VAN KHOI, EXECUTIVE DIRECTOR OF NATIONAL PETROLEUM BOARD (NPB), THE INDONESIAN CHAMBER OF COMMERCE IN SAIGON LAST FEBRUARY CONTACTED NPB SUGGESTING THAT IT SEND A TECHNICAL

DELEGATION TO JAKARTA BEFORE MID-MARCH FOR FURTHER DISCUSSION OF OVERLAPPING CONTINENTAL SHELF CLAIMS. HOWEVER, PRIME MINISTER WITHHELD APPROVAL OF TRIP (SAIGON 3669) AND NPB BECAME IMMERSSED IN ARRANGEMENTS FOR SECOND ROUND OF BIDDING FOR OFFSHORE OIL CONCESSIONS (SAIGON 4170). THIS WORK NOW COMPLETE AND KHOI INFORMS US THAT NPB, BELIEVING INDONESIAN CHAMBER OF COMMERCE OFFICE INVITATION STILL OPEN, HAS AGAIN REQUESTED PRIME MINISTER'S APPROVAL TO PROCEED JAKARTA.

2. KHOI BELIEVES THAT PRIME MINISTER'S EARLIER RELUCTANCE TO APPROVE NPB DELEGATION TRIP WAS REACTION TO CERTAIN GOI STATEMENTS ON POLITICAL PLANE. WE SUPPOSE THAT REFERENCE IS TO GOI STATEMENT SUPPORTING CHINA IN PARACELS DISPUTE IN LATE JANUARY (JAKARTA 0961) AND GOI'S VOTE IN FAVOR OF "PRG" AT GENEVA LAW OF WAR CONFERENCE FEBRUARY 28.

3. WHEN GVN LEARNS OF AGIP'S NATURAL GAS DISCOVERY IN THE
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DISPUTED AREA OF THE CONTINENTAL SHELF (PARA 5 REFTTEL), AS IT IS

BOUND TO DO SOON, THIS MAY MAKE THE GVN MORE ANXIOUS TO RESUME TALKS WITH THE GOI BUT MAY ALSO STIFFEN GVN POSITION. (WE BELIEVE GVN WILL SEND NAVAL VESSEL PROMPTLY TO SCENE TO VERIFY INFORMATION.)

4. WE DO NOT KNOW WHETHER THE GVN MAY HAVE NEW COMPROMISE PROPOSALS IN MIND REGARDING THE OVERLAPPING CLAIMS BUT ITS PUBLIC POSITION HAS NOT CHANGED. RECENT NPB MAP SHOWS SAME CONFIGURATION OF GVN CLAIMS AND SEVERAL BLOCKS IN DISPUTED AREA ARE OPEN TO SECOND ROUND BIDDING. IN FIRST BIDDING ONLY SUNNINGDALE AND SHELL-CITIES SERVICE LEASED BLOCKS WHICH PARTIALLY OVERLAP THE GOI CLAIM AND IT IS NOT BELIEVED THAT EITHER COMPANY WILL DRILL IN THE AREA UNDER NEGOTIATION. (ACCORDING TO NPB, MOBIL'S CONCESSION IS ENTIRELY OUTSIDE GOI CLAIM, PARA 3 REFTEL). WE DO NOT EXPECT THAT ANY OF THE COMPANIES BIDDING IN THE SECOND ROUND WILL SEEK BLOCKS WHICH ARE MORE THAN ONE-THIRD IN THE GOI CLAIM.

5. WHILE THE ATMOSPHERE OF GVN-GOI RELATIONS IS WOMEWHAT MORE CHARGED THAN IN 1972 AS RESULT OF PARACELS AFFAIR AND DISAGREEMENT ON "PRG" ISSUE, WE BELIEVE GVN STILL WILLING TO COMPROMISE IN INTEREST OF REACHING ACCORD ON OVERLAPPING CLAIMS. HOWEVER, IT APPEARS TO US THAT GOI FORTIFICATION OF NATUNA ISLAND AND NEW GOI/GOM NAVAL EXERCISES IN SOUTH CHINA SEA (REFTEL, PARA 6 AND 7) MIGHT SERIOUSLY HARM PROSPECTS OF COMPROMISE AND INTRODUCE NEW IRRITANT IN GOI/GVN RELATIONS GENERALLY.

6. DURING FEBRUARY DISCUSSIONS OF PROJECTED NPB VISIT TO JAKARTA WITH PRINGGOWIRONO, CHAIRMAN OF INDONESIAN CHAMBER OF COMMERCE IN SAIGON, GVN WAS LED TO BELIEVE THAT PROPOSED TALKS WOULD PROBABLY BRING SETTLEMENT OF PROBLEM. WOULD APPRECIATE JAKARTA'S COMMENTS AS TO WHETHER SUHARTO MARCH 28 DECISION NOT TO GO BEYOND 1972 OFFER (PARA 4 REFTEL) REPRESENTS DEFINITE HARDENING OF GOI POSITION AND, IF SO, WHETHER VISIT OF NPB TECHNICAL DELEGATION TO JAKARTA COULD BRING USEFUL RESULTS.

7. IN OUR VIEW IT IS HIGHLY IMPORTANT THAT THIS PROBLEM BE SOLVED AS SOON AS POSSIBLE. IF A SOLUTION IS LONG DEFERRED A FULL-FLEDGED DISPUTE IS LIKELY TO DEVELOP GREATLY COMPLICATING GVN'S ALREADY TENDER RELATIONS WITH INDONESIA.

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